

SARANAC PUBLIC LIBRARY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Saranac Public Library	County Ionia
Audit Date Sept. 30, 2005	Opinion Date October 31, 2005	Date Accountant Report Submitted to State: May 23, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address	3775 Kimmel Road	City	Horton
		State	MI
		ZIP	49246
Accountant Signature <i>Karl L. Drake CPA</i>			

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3775 Kimmel Road
Horton, Michigan 49246

(517) 937-9333 Phone / 563-2552 Fax
Email: kl Drake@voyager.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saranac Public Library
Saranac, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Saranac Public Library, as of and for the year ended September 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saranac Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Saranac Public Library as of September 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2005, on our consideration of Saranac Public Library's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 22 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Directors
Saranac Public Library

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saranac Public Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

October 31, 2005

This section of Saranac Public Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended September 30, 2005. It is best read in conjunction with the Library's financial statements that follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Saranac Public Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the entire Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant fund - the General Fund - with all other funds presented in one column as non-major funds.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Other Supplemental Information

Reporting The Library As A Whole - Government-Wide Financial Statements

One of the most important questions asked about the Library is, "As a whole, what is the Library's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Library.

The statement of net assets and statement of activities report the governmental activities for the Library, which encompass all of the Library's services, including resources and community enrichment. Property taxes and Penal Fines finance most of these activities.

Reporting The Library's Most Significant Funds - Fund Financial Statements

The Library's fund financial statements provide detailed information about the most significant funds - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

Governmental Funds - All of the Library's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

SARANAC PUBLIC LIBRARY

Management's Discussion and Analysis

The Library As A Whole

The statement of net assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library's net assets as of September 30, 2005:

TABLE 1	Governmental Activities (In Thousands)
ASSETS	
Current and other assets	\$ 594.0
Capital assets - Net of accumulated depreciation	<u>91.0</u>
TOTAL ASSETS	<u>685.0</u>
LIABILITIES	
Current liabilities	9.0
Long-term liabilities	<u>0.7</u>
TOTAL LIABILITIES	<u>9.7</u>
NET ASSETS	
Invested in property and equipment - Net of related debt	91.0
Restricted	0.0
Unrestricted	<u>584.3</u>
TOTAL NET ASSETS	<u>\$ 675.3</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library's governmental activities is discussed below. The Library's net assets were \$675.3 thousand at September 30, 2005. Capital assets, net of related debt totaling \$91.0 thousand compares the original cost, less depreciation of the Library's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$584.3 thousand) was unrestricted.

The \$584.3 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

TABLE 2	Governmental Activities	
	(In Thousands)	
	2005	2004
REVENUE		
Program Revenue		
Penal Fines	\$ 65.6	\$ 67.0
Grants and categoricals	0.0	0.0
General Revenue		
Property taxes	221.4	203.7
State Aid	7.8	7.8
Other	22.9	25.9
TOTAL REVENUE	\$ 317.7	\$ 304.4

SARANAC PUBLIC LIBRARY

Management's Discussion and Analysis

	2005	2004
	(In Thousands)	
FUNCTION/PROGRAM EXPENSES		
General Government	\$ ---	\$ ---
Public Safety	---	---
Roads	---	---
Community Enrichment	243.7	263.9
Depreciation (unallocated)	4.5	4.5
TOTAL FUNCTION/PROGRAM EXPENSES	248.2	268.4
INCREASE IN NET ASSETS	\$ 69.5	\$ 36.0

As reported in the statement of activities, the cost of all of our governmental activities this year was \$248.2 thousand. Certain activities were partially funded from those who benefited from the programs (\$65.6 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). The remaining "public benefit" portion of our governmental activities was paid for with \$221.5 thousand in taxes, \$7.8 thousand in State Aid, and with our other revenues, such as interest and general entitlements.

The Library experienced an increase in net assets of \$69.5 thousand. The key reason for the change in net assets was conservative expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library's taxpayers by each of these functions. Since property taxes for operations and Penal Fines constitute the vast majority of the Library's operating revenue sources, the Board of Directors must annually evaluate the needs of the Library and balance those needs with available unrestricted resources.

The Library's Funds

As we noted earlier, the Library uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

As the Library completed this year, the governmental funds reported a combined fund balance of \$585.0 thousand, which is an increase of \$73.9 thousand from last year. The primary reasons for the increase are conservative expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$73,925 to \$584,973, which is greater than the budgeted increase of \$0.

General Fund Budgetary Highlights

Over the course of the year, the Library amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Asset And Debt Administration

Capital Asset

At September 30, 2005, the Library had \$91.0 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$4,541 or 5 percent, from last year.

	<u>2005</u>	<u>2004</u>
Buildings	\$ 36,072	\$ 36,072
Improvements	73,496	73,496
Vehicles	---	---
Equipment	---	---
Total Capital Assets	<u>109,568</u>	<u>109,568</u>
Less Accumulated Depreciation	<u>18,579</u>	<u>14,038</u>
Net Capital Assets	<u>\$ 90,989</u>	<u>\$ 95,530</u>

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors And Next Year's Budgets And Rates

The elected officials and administration considered many factors when setting the Library's 2006 fiscal year budget.

The Library's budget is very similar to the prior year. Interest rates on the Library's savings accounts should increase slightly, providing slightly higher interest revenues. The Library's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year.

Contacting The Library's Financial Management

This financial report is designed to provide the Library's citizens, taxpayers, customers, investors and creditors of Saranac Public Library with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Manager, 61 Bridge Street, P.O. Box 27, Saranac, Michigan 48881.

SARANAC PUBLIC LIBRARY

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 497,324
Investments	96,635
Accounts Receivable	---
Prepaid Expenditures	---
Total Current Assets	<u>593,959</u>
Non-Current Assets	
Capital Assets	109,568
Less: Accumulated Depreciation	<u>-18,579</u>
Total Non-Current Assets	<u>90,989</u>
TOTAL ASSETS	<u>\$ 684,948</u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 5,702
Accrued Salaries and Expenses	3,284
Accrued Interest	---
Deferred Revenue	---
Total Current Liabilities	<u>8,986</u>
Non-Current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	<u>679</u>
Total Non-Current Liabilities	<u>679</u>
TOTAL LIABILITIES	<u>9,665</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	90,989
Restricted for Debt Service	---
Unrestricted	<u>584,294</u>
TOTAL NET ASSETS	<u>675,283</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 684,948</u>

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ ---	\$ ---	\$ ---	\$ ---
Public Safety	---	---	---	---
Roads	---	---	---	---
Community Enrichment	243,720	65,623	---	-178,097
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	<u>4,541</u>	<u>---</u>	<u>---</u>	<u>-4,541</u>
Total Governmental Activities	<u>\$ 248,261</u>	<u>\$ 65,623</u>	<u>\$ ---</u>	<u>\$ -182,638</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 221,457
Property Taxes, Levied for Debt Service				---
State of Michigan Aid, Unrestricted				7,776
Interest Earnings				10,563
Other				<u>12,291</u>
Total General Revenue				<u>252,087</u>
CHANGE IN NET ASSETS				69,449
NET ASSETS - BEGINNING OF YEAR				<u>605,834</u>
NET ASSETS - END OF YEAR				<u><u>\$ 675,283</u></u>

See Accompanying Notes to Financial Statements.

SARANAC PUBLIC LIBRARY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	General	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 593,959	\$ ---	\$ 593,959
Accounts Receivable	---	---	---
Due from Other Governmental Units	---	---	---
Due from Other Funds	---	---	---
Inventories	---	---	---
Prepaid Expenditures	---	---	---
TOTAL ASSETS	\$ 593,959	\$ ---	\$ 593,959
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,702	\$ ---	\$ 5,702
Accrued Salaries and Withholdings	3,284	---	3,284
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
TOTAL LIABILITIES	8,986	---	8,986
FUND BALANCES			
Reserved for Inventories	---	---	---
Reserved for Future Purchases	5,000	---	5,000
Unreserved and Undesignated	579,973	---	579,973
TOTAL FUND BALANCES	584,973	---	584,973
TOTAL LIABILITIES AND FUND BALANCES	\$ 593,959	\$ ---	\$ 593,959
TOTAL GOVERNMENTAL FUND BALANCES			\$ 584,973
Amounts reported for governmental activities in the statement of net assets are different because:			
- Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			109,568
Accumulated Depreciation is			<u>-18,579</u>
			90,989
- Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			<u>-679</u>

- Accrued interest is not included as a liability in governmental funds			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 675,283

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2005

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 221,457	\$ ---	\$ 221,457
State Grants	7,776	---	7,776
Penal Fines	65,623	---	65,623
Investment	10,563	---	10,563
Other	12,291	---	12,291
TOTAL REVENUE	317,710	---	317,710
EXPENDITURES			
General Government	---	---	---
Public Safety	---	---	---
Public Works	---	---	---
Recreational and Cultural	243,785	---	243,785
Debt Service	---	---	---
Capital Outlay	---	---	---
TOTAL EXPENDITURES	243,785	---	243,785
EXCESS OF REVENUE OVER EXPENDITURES	73,925	---	73,925
OTHER FINANCING SOURCES			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES	---	---	---
NET CHANGE IN FUND BALANCES	73,925	---	73,925
FUND BALANCES - BEGINNING OF YEAR	511,048	---	511,048
FUND BALANCES - END OF YEAR	\$ 584,973	\$ ---	\$ 584,973

See Accompanying Notes to Financial Statements.

SARANAC PUBLIC LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 73,925**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$ -4,541	
Capital Outlay	<u>---</u>	<u>-4,541</u>

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds 65

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 69,449**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Library conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Library is a component unit of the Village of Saranac. The Library has two branches, one in Saranac and one in Clarksville. The Library Board has seven members, five appointed by the Village of Saranac and two appointed by the Village of Clarksville.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

SARANAC PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Library for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Ionia County assesses millage for library operations. The various libraries in the County receive property tax revenues based on the libraries that they serve. Saranac Public Library receives 100% of the library revenue collected from Boston Township and Campbell Township, and 50% of the library revenue from Keene Township and Berlin Township. Total property tax revenues for the year ended September 30, 2005, were \$221,457.

E. CASH EQUIVALENTS

The Library considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Library does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

SARANAC PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

J. LONG-TERM OBLIGATIONS (CONTINUED)

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at September 30, 2005.

NOTE 3 - DUE TO/FROM OTHER FUNDS

There were no due to/due from at September 30, 2005.

NOTE 4 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended September 30, 2005, the Library incurred no expenditures that were in excess of the amounts budgeted.

NOTE 5 - RETIREMENT PLAN

During the year ended September 30, 2005, the Library did not participate in any retirement plan. Effective October 1, 2005, the Library has adopted a SEP plan for employees to contribute into a retirement plan, and a 403(b) plan for Library contributions for the employees.

NOTE 6 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Library, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library is in compliance with State law regarding their cash deposits.

The Library maintains all of its cash deposits at three banks and one investment company.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Deposits	Book Value	Carrying Amounts
Insured (FDIC and SIPC)	\$ 284,532	\$ 284,532
Uninsured & Uncollateralized	212,792	219,726
Total Deposits	<u>\$ 497,324</u>	<u>\$ 504,258</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

SARANAC PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS

Capital asset activity of the Library's Governmental activities was as follows:

	Balance October 1, 2004	Additions	Disposals and Adjustments	Balance September 30, 2005
Capital assets being depreciated:				
Buildings	\$ 36,072	\$ ---	\$ ---	\$ 36,072
Improvements	73,496	---	---	73,496
Vehicles	---	---	---	---
Equipment	---	---	---	---
Subtotal	109,568	---	---	109,568
Accumulated depreciation:				
Buildings	1,072	---	---	1,072
Improvements	12,966	4,541	---	17,507
Vehicles	---	---	---	---
Equipment	---	---	---	---
Subtotal	14,038	4,541	---	18,579
Net capital assets	\$ 95,530	\$ -4,541	\$ ---	\$ 90,989

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

NOTE 8 - INVESTMENTS

Investments consist of mutual funds and are valued at market value at September 30, 2005.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Library has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At September 30, 2005, no claims exist, and no provision has been entered into the accounting records.

NOTE 10 - FUND BALANCE RESTRICTIONS

\$5,000 of fund balance is restricted for future purchases based on a donor restriction..

NOTE 11 - CONTRACTS

The Library is working under an agreement to provide management services for the Village of Clarksville Library and to also add representatives, appointed by the Village of Clarksville, to its Board of Directors.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ 200,000	\$ 200,000	\$ 221,457	\$ 21,457
State Revenue	7,350	7,350	7,776	426
Penal Fines	66,500	66,500	65,623	-877
Investment	9,510	9,510	10,563	1,053
Other	12,885	12,885	12,291	-594
Transfers In	---	---	---	---
TOTAL REVENUES	296,245	296,245	317,710	21,465
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	---	---	---	---
Recreation and Culture	296,245	296,245	243,785	52,460
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	296,245	296,245	243,785	52,460
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	---	---	73,925	73,925
BUDGETARY FUND BALANCE - OCTOBER 1, 2004	511,048	511,048	511,048	---
BUDGETARY FUND BALANCE - SEPTEMBER 30, 2005	\$ 511,048	\$ 511,048	\$ 584,973	\$ 73,925

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET

	Saranac Library	Clarksville Library	Total
ASSETS			
Petty Cash	\$ 25	\$ 25	\$ 50
Cash Checking	176,601	63,049	239,650
Cash Savings	201,562	56,062	257,624
Investments	96,635	---	96,635
TOTAL ASSETS	\$ 474,823	\$ 119,136	\$ 593,959

LIABILITIES AND FUND BALANCE

LIABILITIES			
Accounts Payable	\$ 4,606	\$ 1,096	\$ 5,702
Payroll Taxes Payable	2,549	735	3,284
TOTAL LIABILITIES	7,155	1,831	8,986
FUND BALANCE	467,668	117,305	584,973
TOTAL LIABILITIES AND FUND BALANCE	\$ 474,823	\$ 119,136	\$ 593,959

SARANAC PUBLIC LIBRARY

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2005

	Saranac Library	Clarksville Library	Total
REVENUE			
Grants	\$ ---	\$ ---	\$ ---
Property Taxes	171,362	50,095	221,457
Donations	130	300	430
Memorials	---	---	---
Penal Fines	49,374	16,249	65,623
Daily Transactions	6,995	4,866	11,861
Investment Income	9,372	1,191	10,563
Miscellaneous	---	---	---
State Aid Grant	5,831	1,945	7,776
TOTAL REVENUE	243,064	74,646	317,710
EXPENDITURES			
Wages	99,946	29,155	129,101
Payroll Taxes	7,595	2,230	9,825
Employee Benefits	3,894	2,544	6,438
Collections/ Books	18,452	9,660	28,112
Mileage Reimbursement	1,445	409	1,854
Advertising	302	---	302
Repairs and Maintenance	6,923	1,254	8,177
Insurance	4,159	---	4,159
Supplies	4,465	2,015	6,480
Equipment Purchases	4,978	6,293	11,271
Lakeland Library Cooperative	14,651	6,069	20,720
Miscellaneous	1,682	217	1,899
Summer Reading	---	952	952
Continuing Education	1,306	304	1,610
Utilities and Telephone	5,455	2,253	7,708
Professional Fees	1,000	1,140	2,140
Dues and Subscriptions	745	211	956
Program Expense	1,888	193	2,081
TOTAL EXPENDITURES	178,886	64,899	243,785
EXCESS OF REVENUE OVER EXPENDITURES	64,178	9,747	73,925
BALANCE - BEGINNING OF YEAR	403,490	107,558	511,048
BALANCE - END OF YEAR	\$ 467,668	\$ 117,305	\$ 584,973

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SARANAC LIBRARY**

YEAR ENDED SEPTEMBER 30, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Grants	\$ 2,500	\$ --	\$ -2,500
Property Taxes	155,000	171,362	16,362
Donations	350	130	-220
Memorials	50	---	-50
Penal Fines	50,000	49,374	-626
Daily Transactions	6,000	6,995	995
Investment Income	9,000	9,372	372
Miscellaneous	---	---	---
State Aid Grant	5,500	5,831	331
TOTAL REVENUE	228,400	243,064	14,664
EXPENDITURES			
Wages	105,000	99,946	5,054
Payroll Taxes	8,000	7,595	405
Employee Benefits	9,000	3,894	5,106
Collections/Books	19,000	18,452	548
Mileage Reimbursement	1,500	1,445	55
Advertising	500	302	198
Repairs and Maintenance	12,000	6,923	5,077
Insurance	4,050	4,159	-109
Supplies	5,300	4,465	835
Equipment Purchases	8,000	4,978	3,022
Lakeland Library Cooperative	16,000	14,651	1,349
Miscellaneous	28,100	1,682	26,418
Summer Reading	---	---	---
Continuing Education	1,500	1,306	194
Utilities and Telephone	6,950	5,455	1,495
Professional Fees	900	1,000	-100
Dues and Subscriptions	600	745	-145
Program Expense	2,000	1,888	112
TOTAL EXPENDITURES	228,400	178,886	49,514
EXCESS OF REVENUE OVER EXPENDITURES	---	64,178	64,178
BALANCE BEGINNING OF YEAR	403,490	403,490	---
BALANCE END OF YEAR	\$ 403,490	\$ 467,668	\$ 64,178

SARANAC PUBLIC LIBRARY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - CLARKSVILLE LIBRARY

YEAR ENDED SEPTEMBER 30, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Grants	\$ 500	\$ ---	\$ -500
Property Taxes	45,000	50,095	5,095
Donations	150	300	150
Memorials	---	---	---
Penal Fines	16,500	16,249	-251
Daily Transactions	3,335	4,866	1,531
Investment Income	510	1,191	681
State Aid Grant	1,850	1,945	95
TOTAL REVENUE	67,845	74,646	6,801
EXPENDITURES			
Wages	28,000	29,155	-1,155
Payroll Taxes	2,142	2,230	-88
Employee Benefits	4,000	2,544	1,456
Collections/Books	9,200	9,660	-460
Mileage Reimbursement	500	409	91
Repairs and Maintenance	5,200	1,254	3,946
Advertising	200	---	200
Equipment Purchases	2,500	6,293	-3,793
Miscellaneous	1,263	217	1,046
Insurance	500	---	500
Supplies	2,100	2,015	85
Program Expenses	500	193	307
Summer Reading	1,000	952	48
Continuing Education	300	304	-4
Lakeland Library Cooperative	7,000	6,069	931
Utilities and Telephone	2,340	2,253	87
Dues and Subscriptions	200	211	-11
Professional Fees	900	1,140	-240
TOTAL EXPENDITURES	67,845	64,899	2,946
EXCESS OF REVENUE OVER EXPENDITURES	---	9,747	9,747
BALANCE BEGINNING OF YEAR	107,558	107,558	---
BALANCE END OF YEAR	\$ 107,558	\$ 117,305	\$ 9,747

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road
Horton, Michigan 49246

(517) 937-9333 Phone / 563-2552 Fax
Email: kldrake@voyager.net

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Saranac Public Library

We have audited the general-purpose financial statements of Saranac Public Library as of and for the year ended September 30, 2005, and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saranac Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saranac Public Library's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.
Certified Public Accountant

October 31, 2005